

Message Text

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PAGE 01 EC BRU 11054 102026Z

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ACTION EUR-12

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FM US MISSION EC BRUSSELS

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PASS AGRICULTURE ELECTRONICALLY

E.O. 11652: NA

TAGS: EAGR EEC

SUBJECT: EC SALES OF NFDM FOR FEED USE

REF: (A) EC BRUSSELS 10922, (B) EC BRUSSELS 3633

1. SUMMARY: THE COMMISSION HAS ISSUED A REGULATION PROVIDING FOR FURTHER SUBSIDIZATION OF NFDM DOWN TO A PRICE LEVEL COMPETITIVE WITH OIL SEED MEAL. ACCORDING TO THE COMMISSION, THIS WILL INSURE A SMOOTH ENDING TO THE COMPULSORY PURCHASE SCHEME, IT WILL APPLY TO NFDM DENATURED BY JANUARY 31, 1977. ESTIMATES OF THE AMOUNT OF NFDM TO BE DISPOSED OF UNDER THE REGULATION RANGE FROM 50,000 TO 150,000 TONS. END SUMMARY.

2. AS EXPECTED (REF. A), THE COMMISSION HAS ISSUED A REGULATION (COMM. REG NO. 2706/76, EFFECTIVE 11/10/76) WHICH MAKES POSSIBLE THE SALE OF NFDM FOR FEED USE AT PRICES ROUGHLY COMPETITIVE WITH OILSEED MEAL. THE REGULATION WILL OPERATE WITHIN THE FRAMEWORK DEVELOPED FOR THE COMPULSORY
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PAGE 02 EC BRU 11054 102026Z

PURCHASE SCHEME AND IS IN FACT AN AMENDMENT TO REGULATION NO.

753/76, WHICH LAID DOWN THE BASIC RULES FOR THE SALE OF NFDM UNDER THE COMPULSORY PURCHASES SCHEME (REF B). IT PROVIDES FOR A 35.00 U.A./100 KGS. REDUCTION IN THE PURCHASE PRICE OF NFDM (52.16 U.A./100 KGS.) WHERE "THE ATTESTATIONS OF PURCHASING AND DENATURING" (PURCHASE DOCUMENT) IS NOT USED TO OBTAIN A REFUND OF DEPOSITS COLLECTED ON PROTEIN PRODUCTS UNDER THE COMPULSORY PURCHASE SCHEME. ASSUMING DENATURING COSTS OF 3 U.A./100 KGS., THIS SUBSIDY WOULD BRING THE NFDM PRICE DOWN TO ABOUT 20 U.A./100 KGS. APPLICATIONS FOR REIMBURSEMENT OF THE 35.00 U.A./100 KGS. REDUCTION IN THE SELLING PRICE ARE TO BE LODGED WITH THE SELLING INTERVENTION AGENCY; THEY CAN BE MADE ONLY BY THE ACTUAL PURCHASERS OF THE NFDM. SUCH APPLICATIONS MUST BE SUBMITTED BY FEBRUARY 28, 1977, HOWEVER, PURCHASE DOCUMENTS MAY BE ISSUED ONLY FOR NFDM DENATURED BY JANUARY 31, 1977 (NOT DECEMBER 31, 1976) AS REPORTED IN REF A).

3. THE PURPOSE OF THE COMMISSION REGULATION IS TWOFOLD. ON THE ONE HAND, IT AIMS AT PUTTING A FLOOR UNDER THE PRICE OF PURCHASE DOCUMENTS. REPORTEDLY, PURCHASERS OF NFDM HAVE ENCOUNTERED DIFFICULTIES IN SELLING THESE DOCUMENTS TO IMPORTERS; IN PART BECAUSE IN THE LAST MONTHS OF THE COMPULSORY PURCHASE SCHEME THERE WAS WIDESPREAD EXPECTATION THAT IMPORT DEPOSITS COLLECTED UNDER THE SCHEME WOULD BE REFUNDED. THE NEW REGULATION WILL INSURE A PRICE OF AT LEAST 35.00 U.A./100 KGS. FOR PURCHASE DOCUMENTS. SECONDLY, THE REGULATION AIMS AT EFFECTING SOME ADDITIONAL SALES OF NFDM BY BRINGING THE PRICE DOWN TO A LEVEL ROUGHLY COMPETITIVE WITH SOYBEAN MEAL.

4. WE HAVE RECEIVED VARYING ESTIMATES OF THE AMOUNT OF NFDM EXPECTED TO BE MOVED UNDER THE PROGRAM. ONE COMMISSION SOURCE THINKS THAT ONLY ABOUT 50,000 TONS WILL BE MOVED UNDER THE PROGRAM. OTHER REPORTS INDICATED THAT THE COMMISSION HOPES THAT THE NEW SCHEME WOULD ENCOURAGE CONTINUATION OF THE DENATURING OF NFDM AT THE RECENT RATE OF ABOUT 12,000 TONS A WEEK THROUGHOUT THE OPERATION OF THE NEW REGULATION. THUS, 130,000 TO 150,000 TONS OF NFDM MIGHT BE DISPOSED OF IN ADDITION TO THE ESTIMATED 300,000 TONS OF NFDM DENATURED THUS FAR UNDER THE COMPULSORY PURCHASE SCHEME.

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PAGE 03 EC BRU 11054 102026Z

PART OF THIS ADDITIONAL AMOUNT--PERHAPS 60,000 TO 70,000 TONS-- WILL BE DISPOSED OF IN CONSEQUENCE OF THE "CASHING IN" OF OUTSTANDING IMPORT DEPOSITS RATHER THAN AS A RESULT OF THE 35.00 U.A./100 KGS. SUBSIDY.

5. AN OFFICIAL OF FEDIOL (THE EC OILSEED CRUSHERS FEDERATION) SAYS THAT THEIR PRELIMINARY EVALUATIONS ON THE NEW SUBSIDY PROGRAM INDICATE THAT NFDM WOULD STILL BE ABOUT

10 PERCENT HIGHER PRICED THAN SOYBEAN MEAL IN MOST COUNTRIES.
(THE MEMBER STATE COEFFICIENTS APPLIED TO THE SALES PRICE
OF NFDM UNDER THE COMPULSORY PURCHASE SCHEME ARE ALSO TO BE
APPLIED TO THE 35.00 U.A. SUBSIDY; THUS, SEPARATE CALCULATIONS
MUST BE MADE FOR EACH COUNTRY.) HE THOUGHT THAT THE
COMMISSION MIGHT HAVVE TO CHANGE EITHER THE SUBSIDY OR THE
COEFFICIENTS TO MOVE THE NFDM INTO FEED.

6. THE COMMISSION INDICATES THAT THE NEW REGULATION IS
TRANSITIONAL AND MAINLY AIMED AT INSURING A SMOOTH ENDING OF
THE COMPULSORY PURCHASE SCHEME. HOWEVER, THEY ALSO SAY
THEY INTEND TO INTRODUCE A PERMANENT SCHEME FOR THE SALE
OF NFDM FOR PIG AND POULTRY FEED BY TENDER UPON TERMINATION
OF THIS REGULATION IN FEBRUARY. AS POINTED OUT IN REF A,
THE COMMISSION DOES HAVE AUTHORITY UNDER COUNCIL REGULATION
NO. 1285/70 TO SELL NFDM AT REDUCED PRICES FOR USE IN PIG AND
POULTRY FEED.

7. EC INTERVENTION SOTOCKS OF NFDM STOOD AT 1,278,000 TONS
AS OF EHE END OF OCTOBER.HINTON

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